

Grantville Redevelopment Project Area

Report to the City Council

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Introduction

The City of San Diego City Council (“City Council”) adopted Resolution No. R-147378, on May 6, 1958, creating the San Diego Redevelopment Agency (“Agency”) for the purpose of pursuing redevelopment activities in the City pursuant to California Community Redevelopment Law, Health and Safety Code Section 33000 et seq. (“CRL”). The Agency is authorized by the City Council to implement redevelopment plans within designated redevelopment project areas throughout the City.

On March 30, 2004, the City Council designated the Grantville Redevelopment Survey Area by Resolution Number R-299047. From that survey area, proposed Project Area boundaries were selected for further study and analysis.

The boundaries of the proposed Grantville Redevelopment Project (“Project Area” or “Project”) are as shown on the Redevelopment Plan Map, attached hereto as Exhibit A-1. A larger map of the Project Area with additional street name detail is presented in Appendix D of this Report.

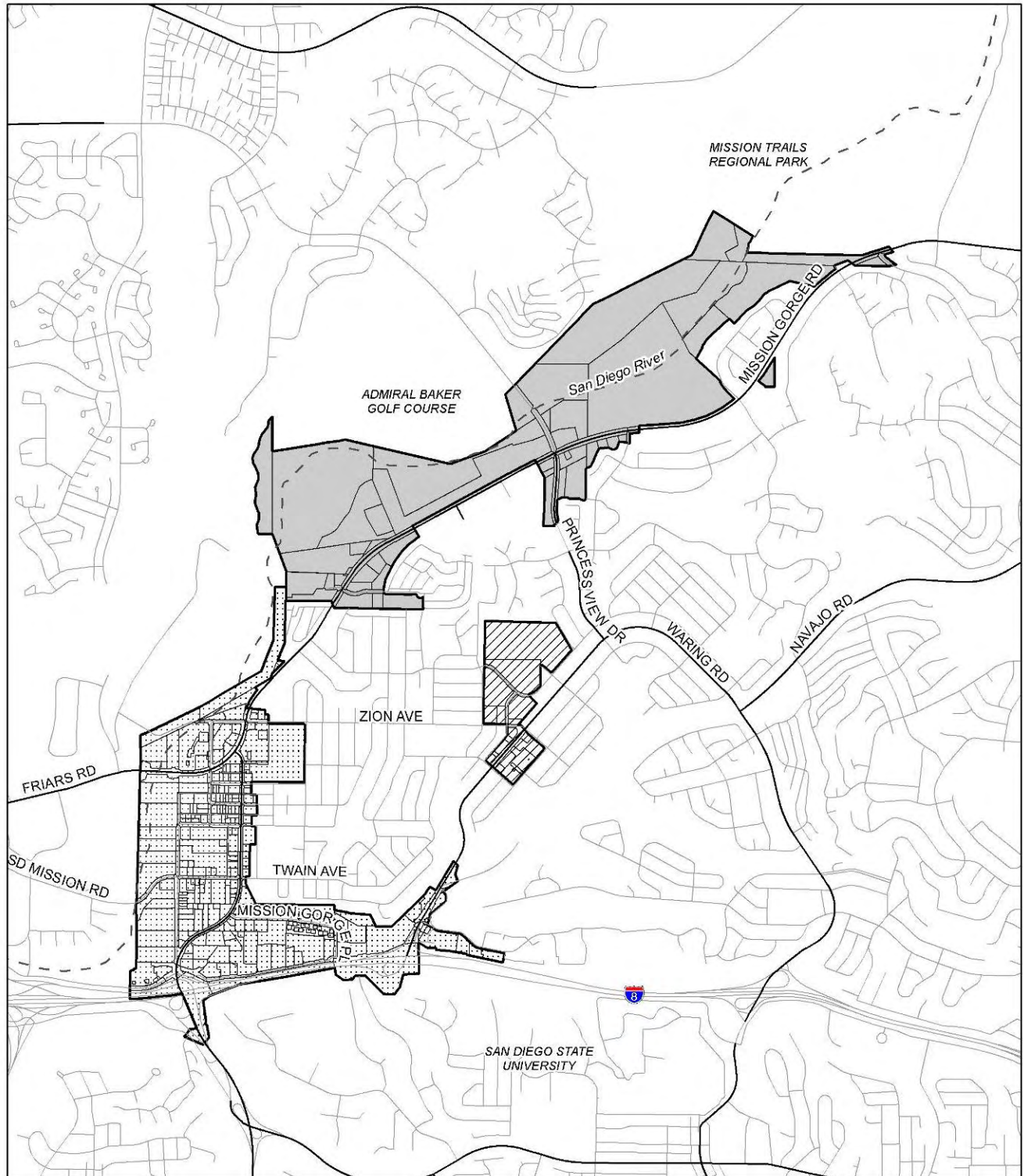
The area proposed for inclusion in the Project is 990 acres in eastern San Diego (note that the *Program Environmental Impact Report for the Grantville Redevelopment Project* refers to the area as being 970 acres because certain right-of-way was not included in the calculation). The Project Area encompasses part of the area designated under the authority of the Navajo Community Planners (82%), the Tierrasanta Community Council (18%) and the College Area Community Council (less than 1%) and is described as follows.

Background – The Community Plans

The City of San Diego has adopted a series of community plans to guide future land use throughout the City. The community plans provide background on the history, conditions and future plans for the areas they cover. The Navajo Community Plan and the Tierrasanta Community Plan will provide direction for the revitalization of the Project Area. The following discussion presents highlights of the community plans.

Exhibit A - 1: Project Area Map

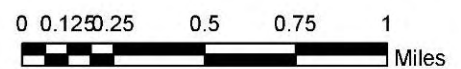
See attached map of the Project Area.



Grantville Redevelopment Project Area



Sources: SanGIS, 2004 and BRG Consulting, Inc., 2005



THE NAVAJO COMMUNITY PLAN

The Navajo Community Plan ("NCP") was adopted in 1982 and was intended to regulate development until 2000. It is anticipated the plan will need to be amended to address its expiration, possible re-use development near the Grantville trolley station, and to accommodate restoration and potential reuses along the San Diego River. Since 1927, sand and gravel extraction activities have been taking place over a 420 acre site on both sides of the river.

The NCP Area is located in the easterly portion of the City. It includes the communities of Allied Gardens, Del Cerro, Grantville, and San Carlos. The NCP Area is bounded on the north by Mission Gorge Road, on the east by the cities of El Cajon and La Mesa, on the south by Interstate 8 and on the west by the San Diego River channel. The NCP area consists of approximately 8,000 acres and is developed primarily as a single-family community with approximately 37.5% or 2,924 acres of the developable land devoted to that use, with commercial and industrial uses comprising approximately 9% or 700 acres of the NCP area (NCP, page 9). The majority of these commercial and industrial uses are found in the Grantville Community and comprise the majority of the proposed 990-acre Grantville Redevelopment Project Area.

Objectives

The Navajo Community Plan established objectives to guide the growth and revitalization of the Navajo area. The formulation and adoption of a community plan is only the first step in a two-step process. The second and equally important step is the implementation of the objectives and recommendations of the Community Plan. Some of the objectives contained in the Navajo Community Plan that are relevant to the proposed redevelopment Project Area include:

Transportation

- Address substandard level of service for vehicle movement along Mission Gorge Road.
- Complete the extension of the Mission Valley Light Rail Transit Lane.

Commercial Revitalization

- Continue the ongoing efforts to revitalize the commercial areas along Mission Gorge and Waring Roads.
- Promote interest and commitment by local businesses and the community-at-large in the revitalization and retention of commercial areas of the community.

Industrial Revitalization

- Ensure that the appearance and character of industrial uses are compatible with the character of the surrounding commercial and residential areas.
- Develop a circulation network that will provide for less congested access to the Grantville industrial area.

San Diego River Revitalization

- Continue the ongoing process to complete San Diego River Master Plan.
- Ensure that future development along the San Diego River is designed to minimize impacts to this sensitive resource.

Economic Restructuring and Reinvestment

- To enhance Grantville's commercial corridors as neighborhood and community oriented shopping and employment centers.
- To improve accessibility of employment centers within and outside the community.

In addition, to the objectives contained in the NCP the following specific issues were identified.

Utilities

Undergrounding of electrical distribution lines and telephone lines along major streets is jointly financed by the City and SDG&E. Priorities for undergrounding are based upon amount of traffic, congestion of wires, and major scenic routes. The plan recommends continuation of the undergrounding of overhead lines, and recommends that guidelines be established for the timely removal of utility poles once underground facilities are in place.

Parking

As a result of historical development patterns, changing uses and current parking needs, the Grantville community faces problems with the quantity, location and safety of its existing parking supply. Many of the older, predominantly commercial and industrial areas were developed with parking standards that were appropriate for the early twentieth-century, but do not meet current demands. Furthermore, the existing parking supply of many projects is found to have inadequate configuration for its location and is unsuited to the needs of current usage.

Circulation

The area has been impacted by residential development that does not have adequate access to and from the Navajo Community. Mission Gorge Road was not adequately upgraded to handle the traffic volumes from the residential communities that use it as access to Interstate 8. Traffic congestion along the Mission Gorge commercial corridor is further impacted by high-density commercial uses on parcels that were intended for lower-density industrial uses. The deficient design and layout of commercial and industrial parcels along the Mission Gorge corridor further restricts traffic circulation.

Residents of the community wish to preserve the single-family character of their neighborhoods, as well as retain a high level of neighborhood/commercial serving retail. In addition, residents are concerned with relieving traffic congestion and the deteriorating conditions along the Mission Gorge and Waring Road corridors. To address these and other concerns several community planning efforts have taken place and are discussed in the following sections.

Community Plan Implementation Overlay Zone (CIPOZ)

Revitalization of the commercial/industrial corridor is an issue the City attempted to address in 1989, by adoption of the Community Plan Implementation Overlay Zone ("CIPOZ") as an amendment to the existing Navajo Community Plan. There are three CIPOZ categories (commercial, industrial, and residential) that regulate design standards, such as building height, roof treatments, streetscape, building setbacks, parking and other criteria.

Mission Valley East Light Rail Transit Project

In 2002, the NCP was amended to coordinate the Circulation Element with development of the Grantville trolley station. The completion of the trolley extension through Grantville is likely to bring re-use proposals for property located near the station. This activity may also require a community plan amendment to implement.

San Diego River Master Plan

The City of San Diego's River Task Force is developing a Master Plan for the San Diego River and surrounding areas of up to one-half mile on each side, extending from the mouth of the River to the City limit adjoining the City of Santee. The Master Plan will address recreational opportunities, wildlife habitat conservation, and restoration. Implementation of the San Diego River Master Plan may require updates or amendments to affected community plans including those relevant to the Grantville area.

THE TIERRASANTA COMMUNITY PLAN

Approximately 130 acres of sand and gravel operations fall under the jurisdiction of the Tierrasanta Community Plan ("TCP") (TCP, page 54), which was adopted in 1982. The sand and gravel processing area is isolated from the Tierrasanta community at its southeastern corner and can only be accessed from Mission Gorge Road. The Tierrasanta Community Plan designates the site as open space that should be acquired by the City for inclusion in the Mission Trails Regional Park, once extraction operations have ceased and any other use of the Tierrasanta portion of the site would require an amendment to the Tierrasanta Community Plan (TCP, page 56, #9).

It is anticipated that the Open Space Element of the Tierrasanta Community Plan may need to be amended at the conclusion of extraction activities, if there are not available funds to acquire this site for open space purposes. The Open Space Element states, "Designated open space areas which are not to be acquired by the City should be allowed to apply the adjacent residential density for development purposes" (TCP, page 55, #2).

Next Steps

In accordance with the provisions of the CRL, a draft Redevelopment Plan has been prepared. If adopted by the City Council, the Agency would have the authority to implement redevelopment activities within the Project Area, including the use of eminent domain.

This Report has been prepared in accordance with Health and Safety Code Section 33000 et seq. of the State of California (the California Community Redevelopment Law or "CRL"). This Report represents the culmination of the documentation on the proposed Plan, having been preceded by the following documents.

- Preliminary Plan,
- Draft Redevelopment Plan,
- Preliminary Report,
- Owner Participation Rules,
- Relocation Guidelines, and
- Draft Environmental Impact Report

Contents of this Report

This Report has been prepared by Agency staff and its redevelopment consultant, Rosenow Spevacek Group, Inc. ("RSG"). The contents of this Report are prescribed by Section 33352 of the CRL, and accordingly have been divided into the following sections:

- SECTION A. Reasons for Selection of the Project Area, Including a Description of Proposed Projects and How Such Projects Will Improve or Alleviate Blight.
- SECTION B. A Description of the Physical and Economic Conditions Existing in the Project Area.
- SECTION C. Five-Year Implementation Plan.
- SECTION D. An Explanation of Why the Elimination of Blight Cannot be Accomplished by Private Enterprise Acting Alone or Through Other Financing Alternatives Other Than Tax Increment Financing.
- SECTION E. A Description of the Method of Financing and Economic Feasibility of the Plan.
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- SECTION H. The Report and Recommendations of the Planning Commission.
- SECTION I. Report and Recommendation of the Project Area Committee.
- SECTION J. A Statement of Conformance to the General Plan.
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- SECTION M. Neighborhood Impact Report.
- SECTION N. A Summary of the Agency's Consultations with Affected Taxing Entities and a Response to Said Entities' Concerns Regarding the Plan.

Reasons for Selection of the Project Area, Including a Description of Proposed Projects and How Such Projects Will Improve or Alleviate Blight

If adopted, the Grantville Redevelopment Plan will establish the 990-acre Grantville Redevelopment Project Area. The Project Area is comprised of three contiguous subareas. In accordance with CRL Section 33320.1 all of the subareas proposed to be included in the Grantville Project Area are blighted.

The boundaries of the proposed Project are as shown on the Redevelopment Plan Map and mirror the legal description, attached hereto as Exhibit A1. The area proposed for inclusion in the Project is approximately 990-acres in the north eastern portion of the City. The Project Area is primarily within the Navajo Community Plan (82%) as well as the Tierrasanta (18%) and College Area Community Plans (less than 1%).

Project Area Overview

The Project Area, located along the San Diego River, was originally developed for agricultural uses to serve the Spanish mission across the river. In 1887 plans were developed for a townsite which included military housing. It was from this anticipated military housing that Grantville received its name in honor of President Ulysses Grant. Significant military housing was never developed on the Grantville side of the San Diego River and so modern-day Mission Gorge Road was originally developed with industrial uses including sand and gravel extraction in the early 1900's. Over time commercial uses intensified along Mission Gorge Road to serve residential development that began in the early 1950's. Mission Gorge Road was never adequately improved to service the traffic volumes created by the development of residential communities in Allied Gardens and San Carlos and the commercial development that followed.

Many of the industrial properties in the Project Area were constructed prior to the development of current zoning regulations and modern market demands for industrial uses. This had led to proliferation of substandard industrial properties, which has attracted marginal and unsafe industrial uses. Many industrial sites in the Project Area cannot safely accommodate modern delivery vehicles which must either park in traffic lanes to unload cargo or make excessive or dangerous maneuvers to enter small properties. Industrial uses include; salvage and outdoor storage operations near the San Diego River, outdoor manufacturing and

vehicle repair, along with sand and gravel extraction operations. Multiple sites were observed using temporary plastic tarp structures to accommodate ongoing outdoor production as well as steel storage containers being used as permanent manufacturing areas with several users having gone so far as to physically attach the storage container to the building thereby creating an unsafe work environment at several sites.

The largest and earliest industrial use in the Project Area is the sand and gravel extraction operation. Since 1927 extractive operations have been taking place along the San Diego River. The sand and gravel pit area covers 420 acres in the Project Area and is regulated by a Conditional Use Permit until 2033. At the conclusion of extraction activities, various remediation activities will likely need to take place before the sand and gravel area can be redeveloped for other uses. Some of the extraction areas are designated for open space and will require environmental restoration to achieve this purpose. Currently the City is engaged in a Master planning process to determine the disposition of large portions of this site. Many of the original extraction areas are the site of salvage operations, outdoor materials storage and heavy manufacturing activities along the San Diego River. At this time no significant funding has been identified to implement post extraction activities.

Other industrial development along Mission Gorge Place and Fairmont Avenue compete with commercial uses along Mission Gorge Road for space. Over time commercial development has pushed many original industrial uses to other areas and created an unsightly and inefficient mixture of commercial and industrial users. Industrial uses on or near the Mission Gorge corridor include; light manufacturing, auto repair and storage (indoor and outdoor).

Commercial uses (office and retail), which traditionally bring in higher revenue for property owners have not only crowded out some industrial users in the competition for space, but have restricted revenue from both uses because the modern market views industrial and neighborhood serving commercial as a mismatch that attracts second tier users. As more second tier industrial and commercial users have entered the Grantville market, properties continue to generate lower revenues compared to similar markets. This perpetuates the substandard market by attracting more substandard users, continuing the downward spiral of the Project Area. Neither commercial nor industrial uses can mass enough property to create modern development nodes that attract high end users to the Project Area. Instead the Project Area is viewed as a second tier location and based on field observation, this lack of return on investment has lead many property owners to limit investment in upgrades of their properties, further exacerbating the problem.

Commercial uses in the Project Area are further impaired by the small and poorly configured lots particularly along Mission Gorge Road, obsolete design and the age of existing structures. Approximately 62% of the commercial buildings and 79% of industrial buildings were constructed over 30 years ago. Many of the commercial buildings surveyed also suffer from obsolete design, further restricting their ability to attract top tier users. Having older and obsolete buildings, many of

which suffered from deferred maintenance on shallow/narrow lots in a haphazardly incoherent theme has left the Project Area visually blighted.

With some exceptions, the older, visually unattractive area does not invite shoppers. The size of parcels and age of buildings does not appeal to national chain stores. Developers find it more economically sensible to locate stores where successful retail centers are established. Today's market trends call for regional and neighborhood commercial centers like those in Mission Valley, La Mesa and Kearny Mesa, all of which are less than 1-3 miles away.

As stated in the City of San Diego General Plan, strip development characterizes the older commercial areas of the City. Because these areas were developed prior to the current zoning regulations, market trends and urban development patterns, the problems associated with older commercial strips are a combination of insufficient parking and traffic congestion. In the past, the tendency was to regard all property fronting major streets as commercial. When traffic was lighter and moving more slowly, patrons were enticed to stop and shop because getting on and off the major street was not too difficult. To quote the General Plan, "This type of commercial development now is inefficient for everyone concerned. It means inconvenience for the shopper, poor business for the merchant, and poor investment on the average for the landowners. Massed shopping areas are always preferable" (General Plan, Pg 278).

In the 1960's and 1970's, city planners developed a scheme of designing "commercial nodes," which are concentrations of businesses, usually at major intersections, that have neighborhood or even regional appeal. Due to shifting traffic patterns and increased competition outside of the proposed Project Area, many commercial properties are inadequate to meet current commercial requirements. To meet the demand for commercial space in the Project Area many commercial businesses must contend with inadequate parking, storage and other facilities. There is an abundance of commercial uses in the Project Area affected by these substandard conditions.

Generally, it is believed by city staff, and realtors that were interviewed, that businesses locate along Mission Gorge because lease rates are lower than in other areas of the City. Lower lease rates enable new businesses to start up with less capital. A trade off, however, is that this area offers fewer amenities to attract patrons – often leaving business owners with undersized units that because of age, and lack of appeal to shoppers, do not generate adequate sales to pay for improvements or even basic maintenance. Lease rates are lower because of the area's deteriorated condition, small lot and building size, lack of amenities such as parking, landscaping, loading, storage, disabled-person accessibility, lighting, and up-graded electrical amperage. As a "catch-22," businesses locate because it is less expensive, and it is less expensive because it lacks amenities and is deteriorated. Lower lease rates then fail to provide enough capital to improve the properties, and the area remains unchanged.

Due to the small size of the lots in the Project Area, modern development is not likely to take place without reparcelization. 66% of the commercial properties and

58% of industrial properties are under one acre in size. The amenities required for modern development include adequate landscaping, access, vehicle circulation, loading, parking, and trash enclosures, all of which cannot be accommodated on many Project Area parcels. Without the revenues and tools that redevelopment offers the Project Area will continue to struggle economically.

Also affecting commercial and industrial structures, the Uniform Building Code has evolved over time making buildings structurally safer and improving mechanical systems. It is beyond the scope of this report to review all of the changes in the UBC. However, some of the major changes that affect the Project Area structures include:

- Tying units to foundations
- Replacing electrical fuses with switches
- Upgrading amperage to accommodate modern appliances/machinery
- Electrical wiring upgrades such as the use of Romex and the retiring of knob and tube wiring
- Replacing galvanized piping with copper and PVC piping for plumbing
- Installation of better drainage and other back flow devices
- Structural improvements such as larger sized lumber for joists and headers and the tying of roofs to framing to improve structural integrity
- One-hour fire walls and doors
- Required number of exits
- Reinforced masonry

All of these and many other improvements have significantly improved the safety of, and desirability of commercial and industrial buildings. Over time, upgrades on older structures are made to meet current standards. However, the financial and physical challenges faced by business owners have affected their ability to upgrade property. This leads to nonstructural and structural damage, as well as properties that still have their original inadequate systems.

These obsolete conditions leave the commercial and industrial areas less desirable to business tenants. For example, the Project Area also has a unique use that is a major regional employer; Kaiser Permanente Hospital. Kaiser's landholding represent nearly a quarter of the entire assessed value of the Project Area. While Kaiser's buildings appear modern from the outside there are significant structural issues that must be addressed with respect to earthquake safety. The Zion Avenue site, which is the largest of all Kaiser's holdings as well as the region's emergency room facility, will need to undergo a significant earthquake retro-fit per California state law. The site already must use temporary storage buildings and containers in the parking lot to attempt to accommodate current uses and an expensive earthquake retro-fit project may require Kaiser to

look at alternatives outside of the Project Area, affecting the region's access to emergency health care.

In addition, if Kaiser relocated this facility to another area what would become of the existing hospital site? A building this large with its specialty uses is likely to remain vacant for a long period of time because there are few users for a building this large and converting it to an alternative use could be cost prohibitive. If this site were to remain vacant for a long period of time the effects on the surrounding retail businesses could be fatal, which would further perpetuate existing blighting conditions in the Project Area. The hospital site on Zion Avenue is one of several large uses by Kaiser within 1-mile area. Because these sites are not directly connected, employees and patrons often times must travel by vehicle back and forth through the Mission Gorge corridor further adding to excessive traffic volumes, which adversely affect surrounding residences just outside of the Project Area.

Traffic along the Mission Gorge corridor is not only adversely affected by density of surrounding development and disconnected uses, but inadequate physical road conditions along Mission Gorge Road also contribute to unsafe travel volumes. The Interstate 8 interchange at Mission Gorge and Fairmont Avenue is severely under capacity, which leads to bottle neck conditions throughout the day. Field studies observed multiple unsafe traffic maneuvers at this interchange on several occasions.

The presence of these cumulative factors in the Grantville area are the reasons the Agency seeks to apply the extraordinary tools provided to redevelopment project areas by the California Community Redevelopment Law.

How the Proposed Projects Will Improve and Alleviate Blight

Since its inception, the Agency has targeted its efforts to mitigate blight within its existing redevelopment project areas. To further address blight and revitalize portions of the San Diego community outside of existing redevelopment project area boundaries, the Agency seeks to establish the Grantville Project Area to accommodate the needs of modern commercial and industrial users, correct public infrastructure deficiencies, and enhance business development within the Project Area.

Grantville's existing land-uses and the presence of surrounding residential communities suggest that redevelopment projects and programs should be used to improve Grantville's appeal as an employment center within the greater community of San Diego. It is also recommended that the area be promoted for community serving retail. It is also feasible that a portion of the Project Area could be residentially developed particularly near the new trolley station (e.g. within a 1,500 foot radius).

Many of the commercial properties in the proposed Project Area are adversely affected by deteriorated and unattractive industrial uses that are intermixed with commercial uses. Many of commercial offerings are small businesses that do not have regional appeal and it will be important to better integrate commercial and industrial uses in the Project Area so the surrounding residential community does not lose needed retail offerings.

Possible scenarios to strengthen the commercial areas include: (1) creating commercial nodes within the area and encouraging mixed use development; (2) establishing light industrial parks in underdeveloped areas to both promote business technology start-up and relocate manufacturing and auto related uses away from the Mission Gorge Road commercial corridor; and (3) taking advantage of the close proximity to the Grantville light rail station for the development of housing. Agency sponsored commercial rehabilitation programs and participation in new development projects would also upgrade the commercial areas making them more desirable to nearby residents and patrons.

Industrial uses in the Project Area are competing with commercial uses for space. The result of which has been a difficult mixture of unrelated uses that eliminates synergistic uses. Observations from the field study suggests several possible options to maintain industrial uses for the long term including: (1) relocating industrial uses to underutilized areas of the Project Area; and (2) the pursuit of clean technology employers for new industrial development such as biotechnology. These programs along with the tools of redevelopment will rejuvenate properties and allow businesses to flourish.

Key infrastructure needs identified through field studies and community input are traffic flow, flood control and storm drain improvements in the Project Area. The Project Area contains several overburdened streets that must also be traveled to access Interstate 8. The traffic affects both businesses and residential neighborhoods by adding drive time for commuters and deterring patrons from the area. The Project Area lacks adequate flood control measures along Alvarado Creek and the San Diego River. Also, urban runoff from industrial uses directly into the San Diego River and Alvarado Creek must be addressed to improve water quality.

The Agency will encourage the following proposed projects to alleviate and prevent the reoccurrence of blighting conditions throughout the Project Area. The Agency proposes to implement redevelopment activities envisioned in the Plan through commercial, industrial and residential revitalization activities. These projects include: (1) public infrastructure improvements; (2) economic development programs; and (3) very low, low and moderate income and market rate housing programs where appropriate.

Public Infrastructure and Facility Improvements

The Agency has identified a number of public improvement projects that would mitigate the deficiencies in the existing infrastructure system. Through public investment in infrastructure, the Agency hopes to stimulate private sector activity in the Project Area. This generally includes: traffic circulation and street reconstruction, streetscape improvements, signalization upgrades, drainage and flood control improvements, public facility and park improvements.

This area is impacted by high-density commercial and industrial sections, the Kaiser Hospital site, and traffic from surrounding residential uses which use Mission Gorge and Friars Roads as access points to and from the community. The Navajo Community Plan update is needed to provide a vision for a functioning multi-modal transportation system that connects to the larger regional system and a sensible traffic plan that enhances neighborhood quality and cohesiveness. The proposed Project Area has a significant number of street segments that exceed desirable daily traffic volumes and are therefore considered congested. Congestion or “level of service” in key intersections near or within the Project Area is ranked “C” or “F” with “F” being the worst. Impacted intersections, starting with the most congested by level of service, are: (1) Fairmont Avenue at the Eastbound Interstate 8 off ramp; (2) Mission Gorge Road between Twain Avenue and Mission Gorge Place; (3) Mission Gorge Road between Twain Avenue and Vandever Avenue; and (4) Mission Gorge Road between Friars Road and Zion Avenue. These four sections of roadway represent the bulk of traffic capacity in the Project Area and are projected to worsen if improvements are not made. Additional road development is also restricted by the San Diego River and existing development and may require the extraordinary tools provided by in CRL as well as tax increment funding to realize improvements.

Proposed programs would improve traffic circulation by widening street and turn lanes at key intersections and other circulation upgrades for the majority of streets in the Project Area. It is anticipated that this, along with the other suggested programs, will improve the economic conditions in the Project Area through relief of congestion and enhanced visual appearance. Streetscape improvements would include upgrades in the lighting system, and the installation of sidewalks and landscaping in the public right-of-way. Signalization improvements may interconnect traffic signals along thoroughfares for better traffic flow, and include installation of new or upgraded traffic signals at major Project Area intersections.

Alvarado Creek a tributary to the San Diego River consistently floods during high storm events, which in turn floods businesses along Mission Gorge Place. The proposed program would assess flood control improvements along Alvarado Creek and related storm drains as well as portions of the San Diego River in the Project Area.

Upgraded traffic circulation, would allow increased access for emergency vehicles and improved traffic flow for Project Area patrons and residents. Street lighting and other streetscape improvements would improve the overall appeal of the area, thus increasing the public's perception of safety. Streetscape improvements would also improve the overall quality of the physical environment and encourage private sector investment. For example, improvements to Alvarado Creek and related storm drains will be coordinated into future streetscape improvements for efficiency as well as protecting these streetscape improvements. By implementing these and other projects to abate the blighting conditions affecting the Project Area, the public sector will signal its confidence in the area and provide a catalyst for private investment.

Economic Development Programs

Agency staff will pursue the redevelopment and revitalization of nonconforming, vacant, or underutilized properties through marketing and encouragement of private sector investment. The initial focus may be the development of new industrial properties to provide nearby relocation options for industrial uses that are out of place along or near commercial uses on the southern end of Mission Gorge Road. Portions of the existing sand and gravel extraction operations lend themselves to industrial development. For example, the grouping of auto repair uses in one area could create synergistic marketing opportunities and provide an overall positive benefit for these uses. In addition, industrial relocation from the southern end of Mission Gorge Road would create opportunities for expansion of neighborhood serving commercial uses.

This effort could include the implementation of a commercial rehabilitation program in the form of grants and/or low interest rate loans to eligible businesses. This would involve upgrading outdated facades, enhancing utilities and enlarging commercial space to better meet current market demands. This could include the provision of public parking lots to alleviate street congestion and enhance the desirability of commercial strips. The program would also assist property owners and businesses in replacing deteriorated signs that do not meet City codes. The Agency may assist in developing light industrial parks to provide start up opportunities for clean industrial uses such as scientific research and development. The Agency may also participate in mixed use development near Mission Gorge between Interstate 8 and Friars Road. Finally, the Agency may assist in infrastructure improvements to support rehabilitation programs.

To support the economic development and commercial rehabilitation programs, the Agency proposes a proactive business expansion and retention program that would assist in the retention of existing businesses, and encourage appropriate new businesses to locate within the boundaries of the Project Area. This program would market the area to prospective businesses, while also assisting by offering technical assistance to existing businesses to remain in the area or to expand. By marketing an array of redevelopment tools, including commercial rehabilitation, land assembly, acquisition and site preparation activities, this

program would provide incentives for businesses to remain as well as relocate to the Project Area.

Low and Moderate Income and Market Rate Housing Programs

The Agency is required to set aside no less than 20% of the tax increment revenue generated by the Project into a special Low and Moderate Income Housing Fund. These funds are to be used to increase, improve, and preserve the supply of low and moderate income housing in the community. There are no known residential uses in the Project Area so it is likely that a large portion of these funds will be used outside of the Project Area. The industrial and commercial portions of the Project Area have properties that are significantly deteriorated creating unsafe conditions for their occupants as well as an unsightly appearance. The longer these conditions continue the more likely they will affect the value of surrounding homes on the outside edges of the Project Area. The housing program could assist very low, low and moderate-income persons in nearby neighborhoods to rehabilitate their property. Further, the housing program may include one or more of the following components: (1) a multi-family residential rehabilitation loan program; (2) a residential rehabilitation grant program; (3) a residential acquisition and rehabilitation program; (4) property acquisition assistance for qualified first-time homebuyers; (5) assistance in the construction of new residential dwelling units; (6) development of multi-family rental housing; and (7) development of senior and special needs housing.

Some existing commercial zones in the Project Area, particularly along Mission Gorge Road, allow for mixed-use development, which could result in new residential development that could make use of these funds. The Agency may also have the opportunity to assist in the provision of market rate housing using Non-Housing funds. It is proposed that the Agency take steps to allow Low and Moderate Income Housing Funds to be used both inside of and outside of the Project Area.

Project/Program Costs

A listing of potential projects that the Agency may undertake includes:

- I-8/Fairmont/Mission Gorge intersection, alignment and road improvements
- Alvarado Creek improvements to address flooding problems
- Transit related improvements particularly in the vicinity of the Grantville Trolley Station
- Storm drain improvements and run-off treatment
- Commercial rehabilitation
- Residential rehabilitation in the vicinity of the Project Area
- Post extraction restoration and related activities

- Environmental restoration particularly in area of Alvarado Creek and San Diego River
- Park and recreation improvements including hiking trails
- Community serving public facilities including library and senior center
- Street lights throughout the area
- Undergrounding of utilities
- Update of related Community Plans
- Affordable Housing

Table E-3 illustrates a possible cash flow scenario based upon tax increment projections also presented in Section E (Table E-1). Economic development programs will assist in rehabilitating existing commercial and industrial buildings where appropriate, relocation of industrial uses to more appropriate areas, developing additional commercial/industrial projects and the infrastructure improvements necessary to support the projects. The tax increment revenue projections show \$785 million will be available to assist in projects. The CRL requires that 20% of gross tax increment be used to provide and improve very low, low and moderate-income housing. Revenue projections estimate this amount to be about \$157 million. In addition, Non-housing funds can be used to supply market rate housing. The Infrastructure Mitigation Measures based upon the Community Plans and the City's capital improvement needs are estimated to cost in excess of \$60 million. It is likely that the costs most directly related to the Project Area will be borne by the Agency and that this money will act as a means to obtain additional funding.